



Report on the Economic Well-Being of U.S. Households in 2015

May 2016

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



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Preface

This survey and report were prepared by the Consumer and Community Development Research Section of the Federal Reserve Board's Division of Consumer and Community Affairs (DCCA).

DCCA directs consumer- and community-related functions performed by the Board, including conducting research on financial services policies and practices and their implications for consumer financial stability, community development, and neighborhood stabilization.

DCCA staff members Jeff Larrimore, Sam Dodini, and Logan Thomas prepared this report. Federal

Reserve staff members Mario Arthur-Bentil, Eric Belsky, Anna Alvarez Boyd, Andrea Brachtesende, Alexandra Brown, David Buchholz, Angelyque Campbell, Allen Fishbein, Arturo Gonzalez, Ellen Merry, Barbara Robles, Maximilian Schmeiser, Jenny Schuetz, PJ Tabit, and Howard Williams provided valuable comments and feedback on the design of the survey and drafting of this report. The authors would also like to thank Richard Burkhauser, Don Dillman, and Jonathan Murdoch for their insights on questions in the survey.

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Executive Summary

In order to monitor the financial and economic status of American consumers, the Federal Reserve Board conducted the third annual Survey of Household Economics and Decisionmaking in October and November 2015. This survey provides insights into the well-being of households and consumers, and provides important information about how individuals and their families are faring in the economy. Topics examined in the survey include the overall well-being of individual consumers, income and savings behaviors, economic preparedness, access to banking and credit, housing decisions, car purchases and auto lending, education and human capital, student loans, and retirement planning.

Key Findings

Overall, individuals and their families continue to express mild improvements in their general well-being relative to that seen in 2013 and 2014. However, a number of adults still indicate that they are experiencing financial challenges, and optimism about the future tempered in 2015.

- Sixty-nine percent of adults report that they are either “living comfortably” or “doing okay,” compared to 65 percent in 2014 and 62 percent in 2013. However, 31 percent, or approximately 76 million adults, are either “struggling to get by” or are “just getting by.”
- Individuals are 9 percentage points more likely to say that their financial well-being improved during the prior year than to say that their financial well-being declined.
- Twenty-two percent of employed adults indicate that they are either working multiple jobs, doing informal work for pay in addition to their main job, or both.
- Twenty-three percent of respondents expect their income to be higher in the year after the survey,

down from 29 percent who expected income growth in the year after the 2014 survey.

The survey also asks respondents about several specific aspects of their financial lives:

Income and Savings

Most respondents report that they saved at least some of their income in the prior year. Income volatility, however, represents a concern for many lower-income families.

- Sixty-eight percent of non-retired respondents saved at least a portion of their income in the prior year.
- Thirty-two percent of adults report that their income varies to some degree from month to month, and 43 percent report that their monthly expenses vary to some degree. Forty-two percent of those with volatile incomes or expenses say that they have struggled to pay their bills at times because of this volatility.

Economic Preparedness

Nearly half of adults are ill-prepared for a financial disruption and would struggle to cover emergency expenses should they arise.

- Forty-six percent of adults say they either could not cover an emergency expense costing \$400, or would cover it by selling something or borrowing money.
- Twenty-two percent of respondents experienced a major unexpected medical expense that they had to pay out of pocket in the prior year, and 46 percent of those who say they had a major medical expense report that they currently owe debt from that expense.

Banking and Credit

A majority of individuals believe that credit is available to them should they apply for it. However, a sizeable minority of those who recently expressed a desire for credit report some difficulty in getting approved.

- Three-quarters of respondents are somewhat or very confident in their ability to obtain a credit card were they to apply for one.
- Forty-six percent of adults desired additional credit in the prior year, and 40 percent of those who desired credit say that they faced a real or perceived difficulty in accessing credit.
- Fifty-seven percent of respondents with a credit card have carried a balance on that card at least once in the prior year.

Housing and Living Arrangements

Most respondents are satisfied with the quality of their house and neighborhood, although this varies based on the income level of the community. Additionally, most homeowners feel that their house appreciated in value in the prior year.

- Seventy percent of all adults are mostly or completely satisfied with the overall quality of their neighborhood, although only 35 percent of those in very high-poverty census tracts report this level of satisfaction.
- Fifty-one percent of homeowners believe that their home value increased in the 12 months prior to the survey. Forty-three percent expect that home values in their neighborhood will increase in the next 12 months.

Car Purchasing and Auto Lending

Just under one-quarter of adults indicate that either they or their spouse or partner acquired a new vehicle in the year prior to the survey. When shopping for a new car, a majority of consumers shop around for both the car and for financing.

- Seventy percent of car buyers compared prices from different sellers when purchasing their vehicle. Fifty-three percent of those who took out a loan for their vehicle compared interest rates or loan terms from different sellers.
- Twelve percent of car buyers who used a loan to finance the purchase took out a loan with a longer

repayment period than their expected horizon for continuing to own the car.

Education and Human Capital

The likelihood of attending college, and the type of college attended, differs based on the background of one's parents. Additionally, the perceived value of a postsecondary education varies widely depending on program completion, institution type, and major.

- Just 16 percent of young adults (ages 25 to 34) whose parents both have only a high-school degree or less completed a bachelor's degree, whereas 65 percent of young adults with a parent who completed a bachelor's degree have completed one themselves.
- Forty-nine percent of respondents who attended a for-profit institution say that they would attend a different school if they could make their educational decisions again.

Education Debt and Student Loans

Over half of adults under age 30 who attended college took on at least some debt (student loans, credit card debt, and other forms of borrowing) while pursuing their education. The likelihood of falling behind on student loan payments varies depending on the type of institution attended and the level of education completed.

- In addition to any student loans, 21 percent of adults with debt from their own education have education-related credit card debt. The median outstanding education-related credit card debt is \$3,000.
- Twenty-one percent of those who borrowed to attend a for-profit institution are behind on their loan payments. Among those who borrowed to attend a public or not-for-profit institution, 7 percent and 5 percent are behind on their payments, respectively.

Retirement

Many individuals report that they have no retirement savings, and—among those who are saving—a number of respondents indicate that they lack confidence in their ability to manage their retirement investments.

- Thirty-one percent of non-retired respondents report that they have no retirement savings or pen-

sion at all, including 27 percent of non-retired respondents age 60 or older.

- Forty-nine percent of adults with self-directed retirement accounts are either “not confident” or only “slightly confident” in their ability to make the right investment decisions.
- Just over one-quarter of adults with self-directed retirement accounts do not seek out any financial advice when investing these funds. Fifty-two percent of those who do not seek out advice say they either cannot afford assistance or would like help but do not know where to get it.



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